

No. 14/18/DPM

Jakarta, June 8, 2012

CIRCULAR LETTER

To

ALL COMMERCIAL BANKS AND INTERMEDIARIES

Subject : The Fourth Amendment to Bank Indonesia Circular  
Letter Number 12/18/DPM dated July 7, 2010  
regarding Open Market Operation

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In relation to Bank Indonesia Regulation Number 14/5/PBI/2012 concerning the Amendment to Bank Indonesia Regulation Number 12/11/PBI/2010 concerning Monetary Operations (State Gazette of the Republic of Indonesian Year 2012 Number 130, Supplement to the State Gazette of the Republic of Indonesia Number 5321), it is necessary to improve Bank Indonesia Circular Letter Number 12/18/DPM dated July 7, 2010 regarding Open Market Operation as amended several times and most recently amended by Bank Indonesia Circular Letter Number 13/20/DPM dated August 8, 2011 as follows:

1. All references to Term Deposit in CHAPTER VI shall be amended to rupiah Term Deposit.
2. 1 (one) chapter shall be inserted between CHAPTER VI and CHAPTER VII, namely Chapter VIA which shall read as follows:

VIA. TERM DEPOSIT IN FOREIGN CURRENCY

1. Transaction on Term Deposit in foreign currency shall be the placement of foreign currency funds of

OMO Participants for a certain period of time with Bank Indonesia.

2. Characteristics of transaction on Term Deposit in foreign currency:

- a. type of foreign currency in the transaction on term deposit in foreign currency is US Dollar;
- b. A transaction on term deposit in foreign currency has periods of 7 (seven) days, 14 (fourteen) days and 30 (thirty) days, as from 1 (one) day following the settlement date up to the maturity date;
- c. A transaction on Term Deposit in foreign currency is conducted without the issuance of securities;
- d. For a transaction on Term Deposit in foreign currency, Bank Indonesia provides interest;
- e. Term Deposit in foreign currency may be disbursed prior to maturity (early redemption), either entirely or partly;
- f. Term Deposit in foreign currency may be converted into swap transaction on the sale of US Dollar against rupiah by Bank Indonesia.

3. Method of Transaction on Term Deposit in Foreign Currency

- a. A transaction on Term Deposit in foreign currency is conducted through RMDS or other facilities determined by Bank Indonesia.
  - b. A transaction on Term Deposit in foreign currency is conducted through auction with the following method:
    - 1) fixed rate tender  
Interest rate on a transaction on Term Deposit in foreign currency shall be stipulated by Bank Indonesia; or
    - 2) variable rate tender  
Interest rate on a transaction on Term Deposit in foreign currency shall be stipulated by Bank Indonesia; or
4. Announcement and Implementation of Auction
- a. A transaction of Term Deposit in foreign currency shall be conducted every Wednesday and/or on the other business day stipulated by Bank Indonesia.
  - b. Bank Indonesia shall announce auction plans of the transaction on Term Deposit in foreign currency by no later than the window time through LHBUS System and/or other facilities.
  - c. Window time for transaction on Term Deposit in foreign currency shall be as from 08.00 Western Indonesia Time (WIB) up to 16.00

Western Indonesia Time (WIB), or at such other times as determined by Bank Indonesia.

d. The announcement of auction plans of the transaction on Term Deposit in foreign currency:

- 1) submission facility of bid for auction;
- 2) auction date;
- 3) period and maturity;
- 4) auction method;
- 5) indicative target (if the auction of the transaction on Term Deposit in foreign currency is conducted by using the variable rate tender method);
- 6) interest rate (if the auction of the transaction on Term Deposit in foreign currency is conducted by using the fixed rate tender method);
- 7) window time; and
- 8) settlement date (value date).

e. Auction Participants

- 1) OMO Participants which may take part in a transaction on Term Deposit in foreign currency shall be foreign exchange banks, hereinafter to be referred to as the Participants of Transaction on Term Deposit in Foreign Currency.

- 2) The Participants of Transaction on Term Deposit in Foreign Currency may submit the transaction on Term Deposit in foreign currency directly or through Intermediaries.
- 3) The intermediaries shall submit bids for the transaction on Term Deposit in foreign currency only for the interests of the Participants of Transaction on Term Deposit in Foreign Currency.

5. Submission of Bids

- a. The Participants of Transaction on Term Deposit in Foreign Currency and Intermediaries shall submit bids for auction of transaction on Term Deposit in foreign currency to Bank Indonesia within the determined window time.
- b. The submission of bids for auction of transaction on Term Deposit in foreign currency by using the fixed rate tender method shall include the following information:
  - 1) name of Participants of Transaction on Term Deposit in Foreign Currency;
  - 2) transaction date;
  - 3) period of the Term Deposit in foreign currency;

- 4) account number with correspondent bank; and
  - 5) quantity bids.
- c. The submission of bids for auction of transaction on Term Deposit in foreign currency by using the variable rate tender method shall include the following information:
- 1) name of Participants of Transaction on Term Deposit in Foreign Currency;
  - 2) transaction date;
  - 3) period of the Term Deposit in foreign currency;
  - 4) account number with correspondent bank;
  - 5) quantity bids; and
  - 6) interest rate.
- d. The submission of bids for auction of transaction on Term Deposit in foreign currency as referred to in letter b and/or letter c shall be conducted under the following provisions:
- 1) bids may only be submitted for a maximum of 2 (two) times within each period offered;
  - 2) the submission of each quantity bid by the Participants of Transaction on Term

Deposit in Foreign Currency shall be in the minimum amount of USD5,000,000.00 (five million US Dollar) and more with multiples in the amount of Rp1,000,000.00 (one million US Dollar;)

- 3) in the event that the auction of the transaction on Term Deposit in foreign currency is conducted by using the variable rate tender method, each interest rate bid shall be submitted with a multiple of 1 bps (basis point) or 0.01% (one per ten thousandth);
- 4) in the event of a correction to the bid, the Participants of Transaction on Term Deposit in Foreign Currency and Intermediaries may only submit 1 (one) correction for each bid submitted within the window time for the transaction on Term Deposit in foreign currency;
- 5) the correction as referred to in point 4) may only be made to bid information other than the information on the name of the Participant of Transaction on Term Deposit in Foreign Currency and period of the Term Deposit in foreign currency;

- 6) the correction to the bid must meet the requirements for bid submission;
- 7) The Participants of Transaction on Term Deposit in Foreign Currency and Intermediaries shall be responsible for the correctness of data on the bids submitted to Bank Indonesia;
- 8) The Participants of Transaction on Term Deposit in Foreign Currency and Intermediaries shall be prohibited from cancelling the bids which have been submitted to Bank Indonesia;
- 9) In the event that the Participants of Transaction on Term Deposit in Foreign Currency and Intermediaries submit bids which do not meet the requirements as referred to in points 1), 2) and 3) and do not make any correction to the bid submission within the window time for the transaction of Term Deposit in foreign currency, such bids shall be declared to be cancelled.

6. Determination of Auction Winner

- a. In the event that the auction is conducted by using the fixed rate tender method, the quantity determination of the Term Deposit in



foreign currency won shall be calculated in the following manner:

- 1) the quantity bid submitted by a Participant of Transaction on Term Deposit in Foreign Currency is won entirely;
  - 2) if necessary, the quantity bid submitted by a Participant of Transaction on Term Deposit in Foreign Currency can be won in part based on proportional calculation with the rounding off to the nearest hundred thousandth US Dollar provided that:
    - a) for the nominal value of less than USD50,000.00 (fifty thousand US Dollar), it shall be rounded off to zero;
    - b) for the nominal value of USD50,000.00 (fifty thousand US Dollar) or more, it shall be rounded off to USD100,000.00 (one hundred thousand US Dollar).
- b. In the event that the auction is conducted by using the variable rate tender method, the quantity determination of the Term Deposit in

foreign currency won shall be calculated in the following manner:

- 1) Bank Indonesia shall stipulate the maximum acceptable interest rate on the transaction of Term Deposit in foreign currency (SOR);
- 2) Bank Indonesia shall stipulate the quantity won in the following manner:
  - a) in the event that the interest rate submitted by the Participant of Transaction on Term Deposit in Foreign Currency concerned shall win the entire transaction on Term Deposit in foreign currency submitted;
  - b) in the event that the interest rate submitted by the Participant of Transaction on Term Deposit in Foreign Currency is equal to the stipulated SOR, the Participant of Transaction on Term Deposit in Foreign Currency concerned shall win all or a portion of the transaction bid proposed based on proportional calculation with the rounding off to the nearest

hundred thousandth US Dollar  
provided that:

- (1) for the nominal value of less than USD50,000.00 (fifty thousand US Dollar), it shall be rounded off to zero;
- (2) for the nominal value of USD 50,000.00 (fifty thousand US Dollar) or more, it shall be rounded off to USD100,000.00 (one hundred thousand US Dollar).

An example of quantity calculation and stipulation for the auction winner of the transaction of Term Deposit in foreign currency is presented in appendix 9 and appendix 10 which constitute inseparable parts of this Bank Indonesia Circular Letter.

- c. Bank Indonesia may determine that there is no auction winner of the transaction of Term Deposit in foreign currency.
7. The announcement of the Auction Result of the Transaction on Term Deposit in Foreign Currency, Bank Indonesia shall announce the auction result of the transaction on Term Deposit in foreign currency

following the process of the determination of auction winner by Bank Indonesia by using the following mechanism:

- a. to announce the entire result of determination of auction winner to all Participants of Transaction on Term Deposit in Foreign Currency and Intermediaries through LHBU System and/or other facilities determined by Bank Indonesia such as, among other things, in the form of nominal value and weighted average of interest rate of Term Deposit won;
- b. to make individual confirmation to the winning participant of Transaction on Term Deposit in foreign currency through RMDS or other facilities, among other things, in the form of:
  - 1) nominal value of foreign currency and interest rate won by the Participant of Transaction on Term Deposit in Foreign Currency;
  - 2) settlement date / value date; and
  - 3) request for Standard Settlement Instruction by the Participant of Transaction on Term Deposit in Foreign Currency;
- c. in the event that the bids for auction submitted through Intermediaries, the confirmation as

referred to in point b shall be made under the following provisions:

- 1) in the event that the Participant of Transaction on Term Deposit in Foreign Currency does not have RMDS, the confirmation shall be made through Intermediaries; or
- 2) in the event that the Participant of Transaction on Term Deposit in Foreign Currency has RMDS, the confirmation shall be made to the Participant of Transaction on Term Deposit in Foreign Currency concerned.

8. Settlement of Transaction on Term Deposit in Foreign Currency

a. Settlement of Auction of Transaction on Term Deposit in Foreign Currency

- 1) Bank Indonesia shall conduct the settlement of transaction on Term Deposit in foreign currency within 2 (two) business days following the transaction date.
- 2) Each bid won has 1 (one) deal ticket.
- 3) The Participant of Transaction on Term Deposit in Foreign Currency must provide adequate funds in demand

deposit accounts with correspondent bank in order to fulfill the settlement obligation of transaction on Term Deposit in foreign currency.

- 4) On the settlement date, the Participant of Transaction on Term Deposit in Foreign Currency must transfer the settlement obligation of transaction on Term Deposit in foreign currency for each bid won to Bank Indonesia account with correspondent bank.
- 5) In the event that the Participant of Transaction on Term Deposit in Foreign Currency fails to fulfill the settlement obligation as referred to in point 4), the transaction of Term Deposit on foreign currency shall be declared to be cancelled.
- 6) For the cancellation of the transaction on Term Deposit in foreign currency as referred to in point 5), the Participant of Transaction on Term Deposit in Foreign Currency shall be subject to sanctions as provided for in Bank Indonesia Regulation concerning Monetary Operations.

- 7) In the context of calculation of the imposition of sanction in the form of temporary suspension from participating Monetary Operation activities, if on the same day there is more than 1 (one) cancellation of transaction on Term Deposit in foreign currency, such cancellation may be taken account as 1 (one) cancellation.
- b. Settlement of Matured Transaction on Term Deposit in Foreign Currency
- 1) On the maturity date of the transaction on Term Deposit in foreign currency, Bank Indonesia shall make redemption of the matured Term Deposit in foreign currency by making a transfer to the account of the Participant of Transaction on Term Deposit in Foreign Currency with correspondent bank in the amount of cash value.
- 2) The cash value as referred to in point 1) shall be calculated by using the following formula:

$$\text{cash value} = N \times \left( 1 + r \frac{k}{360 \text{ days}} \right)$$

Notes:

N = Nominal value of Term Deposit in  
foreign currency

r = interest rate won

k = period of Term Deposit in foreign  
currency

- c. In the event that following the transaction on Term Deposit in foreign currency, the maturity date of the transaction on Term Deposit in foreign currency is stipulated as a holiday by the government, the settlement of such transaction shall be conducted on the subsequent business day without calculating the additional interest rate for such holiday.

9. Early Redemption on the Transaction on Term Deposit in Foreign Currency

a. Submission of Early Redemption

- 1) The Participants of Transaction on Term Deposit in Foreign Currency may submit the early redemption on the Term Deposit in foreign currency by no earlier than 3 (three) days following the settlement of the transaction on Term Deposit in foreign currency to be subject to early redemption.
- 2) The Participants of Transaction on Term Deposit in Foreign Currency may submit



the early redemption on any business day, except the day of auction of the Term Deposit in foreign currency.

- 3) The submission of early redemption as referred to in point 2) shall be conducted as from 08.00 Western Indonesia Time (WIB) up to 11.00 Western Indonesia Time (WIB).
- 4) The submission shall be made through RMDS or other facilities stipulated by Bank Indonesia.
- 5) The submission of early redemption shall be conducted for the full nominal value indicated on each deal ticket.
- 6) The Participants of Transaction on Term Deposit in Foreign Currency conducting the early redemption on the Term Deposit in foreign currency shall obtain proportional interest with the following calculation:

$$interest = \frac{nominal\ value\ of}{early\ redemption} \times \frac{interest}{rate} \times \frac{k}{360}$$

Notes:

k = period up to the settlement of early redemption on the Term Deposit in foreign currency with

Bank Indonesia

7) The Participants of Transaction on Term Deposit in Foreign Currency shall be required to pay fees for the early redemption on Term Deposit in foreign currency for 10% (ten per one hundredth) of the interest as referred to in point 6).

b. Settlement of Early Redemption

Bank Indonesia shall conduct the settlement of early redemption within 2 business days following the date of the early redemption submission.

c. Calculation of Early Redemption Value

The cash value of early redemption is in the amount of the nominal value of the Term Deposit in foreign currency subject to early redemption plus interest less early redemption fees.

$$\text{Cash value} = \frac{\text{nominal value of}}{\text{early redemption}} + \text{interest} - \text{early redemption fee}$$

10. Conversion of the Transaction on Term Deposit of Foreign Currency into Swap Transaction on the Sale of USD Against Rupiah by Bank Indonesia (FX Swap)

- a. Submission of Conversion of the Transaction on Term Deposit in Foreign Currency into FX Swap Transaction
  - 1) In the event that the Participants of Transaction on Term Deposit in Foreign Currency require rupiah liquidity, the Participants of Transaction on Term Deposit in Foreign Currency may submit a conversion of the Term Deposit in foreign currency into FX Swap.
  - 2) The submission of conversion of the Term Deposit in foreign currency into FX Swap shall be conducted through RMDS or other facilities stipulated by Bank Indonesia on each business day except the day of auction of the Term Deposit in foreign currency.
  - 3) The submission of conversion of the Term Deposit in foreign currency into FX Swap shall be conducted in the full nominal value indicated in each deal ticket.
  - 4) The submission of conversion of the Term Deposit in foreign currency into FX Swap shall also serve as the submission

of early redemption on the Term Deposit in foreign currency to be converted.

- 5) The early redemption on Term Deposit in foreign currency as referred to in point 4) shall comply with the provisions as referred to in items 9.a.1), 9.a.6) and 9.a.7).
- 6) FX Swap Transaction resulting from the conversion of the Term Deposit in foreign currency shall be conducted within a period determined by Bank Indonesia, which shall be no less than 7 (seven) days.
- 7) FX Swap premiums resulting from the conversion of the Term Deposit in foreign currency shall be stipulated by Bank Indonesia.
- 8) The Participants of Transaction on Term Deposit in Foreign Currency may submit the conversion of the transaction on Term Deposit in foreign currency into FX Swap transaction as from 08.00 Western Indonesia Time (WIB) up to 10.00 Western Indonesia Time (WIB).
- 9) Bank Indonesia shall inform about the FX Swap premiums to the Participants of

Transaction on Term Deposit in Foreign Currency at 11.00 Western Indonesia Time (WIB) and shall also request for confirmation to the Participants of Transaction on Term Deposit in Foreign Currency.

- 10) In the event that the Participants of Transaction on Term Deposit in Foreign Currency do not agree upon the FX Swap premiums stipulated by Bank Indonesia, the FX Swap transaction process shall not be proceeded and the relevant Term Deposit in foreign currency shall proceed (no early redemption).
- 11) In the event that the Participants of Transaction on Term Deposit in Foreign Currency agree upon the FX Swap premiums stipulated by Bank Indonesia, the Participants of Transaction on Term Deposit in Foreign Currency shall give confirmation (deal confirmation of the early redemption on the transaction on the Term Deposit in foreign currency and FX Swap transaction through RMDS).
- 12) On the transaction on the conversion of Term Deposit into FX Swap, Bank

Indonesia shall not provide interest and impose fees on the Participants in accordance with the provision on early redemption as referred to in items 9.a.6) and 9.a.7) of Transaction on Term Deposit in Foreign Currency

b. Settlement of the Conversion of the Transaction on Term Deposit in Foreign Currency into FX Swap Transaction

- 1) Bank Indonesia shall conduct the settlement of early redemption in the context of conversion of the Term Deposit in foreign currency into FX Swap by transferring interest to the accounts of the Participants of Transaction on Term Deposit in Foreign Currency with correspondent bank after being deducted by early redemption fees, within 2 (two) business days following the date of conversion submission.
- 2) Bank Indonesia shall conduct the first leg settlement of FX Swap transaction in the context of the conversion of Term Deposit in foreign currency into FX Swap transaction within 2 (two) business days following the date of conversion

submission under the following procedures:

- a) Bank Indonesia shall record the conversion of foreign currency from the early redemption on the Term Deposit in foreign currency into source of funds for foreign currency settlement of FX Swap transaction.
  - b) Bank Indonesia shall credit the Demand Deposit Accounts of the FX Swap transaction participants in the amount in rupiah equal to the nominal value of the converted Term Deposit in foreign currency multiplied by spot rate determined on the date of FX Swap transaction.
- 3) On the date of the second leg settlement of FX Swap transaction the following provisions shall be implemented:
- a) Bank Indonesia shall debit the Demand Deposit Accounts of the FX Swap transaction participants in the amount of the nominal value of FX Swap foreign currency

multiplied by forward rate determined on the date of FX Swap transaction.

- b) Bank Indonesia shall transfer foreign currency to the accounts of the FX Swap transaction participants with correspondent bank in the amount of the nominal value of FX Swap foreign currency.
- c) In the event that on the date of the second leg settlement, the FX Swap transaction participants do not have adequate funds in rupiah to fulfill the settlement obligation, the FX Swap transaction participants must pay an amount in the nominal value of the transaction on the subsequent business day.
- d) The payment of the nominal value of FX Swap transaction as referred to in letter c) shall be made by debiting the Demand Deposit Account of the FX Swap transaction participants with Bank Indonesia.



- e) For delayed fulfillment of the settlement obligation as referred to in letter c), the FX Swap transaction participants shall be subject to sanctions as provided for in Bank Indonesia Regulation concerning Monetary Operations.
- 3. 1 (one) point shall be inserted in the provisions of CHAPTER VII, namely point 4 which shall read as follows:
  - 4. Sanctions for Transaction on the Term Deposit in Foreign Currency
    - a. In the event that the Participants of Transaction on Term Deposit in Foreign Currency fail to fulfill the settlement obligation which leads to the cancellation of the transaction on Term Deposit in foreign currency as referred to in item VIA.8.a.5), the Participants of Transaction on Term Deposit in Foreign Currency shall be subject to sanctions in the following forms:
      - 1) A written reprimand with copies to:
        - a) The relevant Bank Supervision Department, in the event of sanctions imposed on Banks having their head offices within the working territory of Bank Indonesia head office (KPBI); or

- b) The Bank Supervisory Division for Bank Indonesia Regional Representative Office (KPwBI), in the event of sanctions imposed on Banks having their head offices within the working territory of KPwBI; and
  - 2) a financial penalty calculated based on the base interest rate of Fed Fund applicable on the date of transaction settlement plus 200 (two hundred) basis points multiplied by the nominal value of the transaction multiplied by  $1/360$  (one per three hundred and sixty).
- b. In the event that the Participants of Transaction of Term Deposit in Foreign Currency fail to fulfill the obligations on the date of the second leg settlement of FX Swap transaction as referred to in item VIA.10.b.3)c), the Participants of Transaction of Term Deposit in Foreign Currency shall be subject to the following sanctions:
- 1) a written reprimand as referred to in item a.1);  
and
  - 2) a financial penalty calculated based on the applicable BI Rate plus 200 (two hundred) basis points multiplied by the nominal value of the transaction multiplied by  $1/360$  (one per three hundred and sixty).

- c. The written reprimand as referred to in items a.1) and b.1) shall be delivered in 1 (one) business day following the cancellation of the transaction as referred to in item VIA.8.a.5) or the failure to fulfill the obligations as referred to in VIA.10.b.3)c).
- d. The financial penalty as referred to in item a.2) shall be imposed by debiting the demand deposit accounts of the Participants of Transaction of Term Deposit in Foreign Currency with Bank Indonesia in 1 (one) business day following the cancellation of the transaction.
- e. The financial penalty as referred to in item b.2) shall be imposed by debiting the Demand Deposit Accounts of the FX Swap transaction participants with Bank Indonesia in 1 (one) business day following the date of settlement obligation.

This Bank Indonesia Circular Letter shall come into effect on June 8, 2012.

For public cognizance, it is ordered that this Bank Indonesia Circular Letter be published by placing it in Official Gazette of the Republic of Indonesia.

Please be informed accordingly.

BANK INDONESIA,

[ Signed ]

HENDAR

HEAD OF MONETARY MANAGEMENT DEPARTMENT